

Message Text

CONFIDENTIAL

PAGE 01 BONN 00206 01 OF 02 061854Z

47

ACTION OES-04

INFO OCT-01 EUR-12 ISO-00 AEC-05 ACDA-05 CIAE-00 INR-07

IO-10 L-02 NSAE-00 NSC-05 RSC-01 FEAE-00 EB-07 COME-00

PM-03 OMB-01 TRSE-00 SS-15 /078 W

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R 061844Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7107

C O N F I D E N T I A L SECTION 01 OF 02 BONN 00206

E. O. 11652: GDS

TAGS: TGEN, TECH, GW

SUBJECT: OFFSET-CIVIL PROCUREMENT/URANIUM PROSPECTING

REF: (A) STATE 282813, (B) BONN 16777, (C) BONN 19159

1. SUMMARY: EMBASSY PASSED REF A COMMENTS TO APPROPRIATE TECHNOLOGY MINISTRY OFFICIALS WHO PROMPTLY RESPONDED BY CALLING IN EMBASSY ECONOMIC/COMMERCIAL MINISTER. TECHMIN REPS EXPRESSED SURPRISE AT USG POSITION AND REVIEWED AGAIN THE PROBLEMS THEY FACE. GERMANS PLAN ANOTHER DEMARCHE ON THIS POINT DURING WHICH THEY WILL OFFER WRITTEN ASSURANCES THAT THE SPECIFIC JOINT VENTURES IN URANIUM PROSPECTING LISTED IN REF B ARE ALL NEW PROJECTS. EMBASSY RECOMMENDS THAT WE BE AUTHORIZED TO ACCEPT FRG ASSURANCES. END SUMMARY.

2. SCHMIDT-KUESTER AND LOOSCH, "DEPUTY ASSISTANT SECRETARIES" FOR ENERGY RESEARCH AND TECHNOLOGY AND FOR INTERNATIONAL COOPERATION, RESPECTIVELY, IN FRG MINISTRY FOR RESEARCH AND TECHNOLOGY, INVITED EMBASSY'S ECONOMIC/COMMERCIAL MINISTER TO CALL TO RECEIVE THEIR RESPONSE TO USG POSITION OUTLINED IN REF A. TECHMIN REPS PROFESSED SURPRISE THAT USG POSITION NOT ONLY REITERATED THE "ADDITIONALITY" CRITERION - - FOR WHICH THERE WAS NO FORMAL BASIS
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PAGE 02 BONN 00206 01 OF 02 061854Z

IN TEXT OF OFFSET MINUTE - - BUT THAT USG SURPRISINGLY

SOUGHT TO EXPAND ADDITIONALITY CONCEPT BY SPEAKING OF WHAT GERMANS DESCRIBED AS "ABNORMAL" ADDITIONALITY WHICH WOULD PRECLUDE URANIUM PROSPECTING ACTIVITY THAT WAS ALREADY BEING FINANCED BY THE FRG IN THE UNITED STATES UNDER THE CURRENT BUDGET AND PROGRAM OF THE TECHNOLOGY MINISTRY. TECHMIN REPS EMPHASIZED THAT THEY DO NOT RPT NOT HAVE NEW MONEY FOR THE OFFSET PROGRAM. ANY "OFFSET R&D PROJECT" MUST THEREFORE BE PART OF THE MINISTRY'S EXISTING BUDGET. THE MINISTRY WAS INSTRUCTED TO CONDUCT ITS PROGRAMS SO AS TO MAXIMIZE US/GERMAN PROGRAMS AND THUS FULFILL OFFSET. IF THE USG REFUSES TO ACCEPT PROJECTS UNDER WAY AND/OR PLANNED BY THE MINISTRY, THE FRG WOULD NOT RPT NOT BE ABLE TO SATISFY ITS OBLIGATIONS UNDER ARTICLE 4B OF THE OFFSET MINUTE.

3. ECON/COMMIN REMINDED TECHMIN REPS THAT PRINCIPLE OF "ADDITIONALITY" HAD BEEN WELL ESTABLISHED BY THE NEGOTIATING HISTORY OF CIVIL PROCUREMENT UNDER OFFSET. AS AN EXAMPLE, THE HELIOS PROJECT COULD NOT QUALIFY. TECHMIN REPS DID NOT RPT NOT CHALLENGE THIS POINT. ECON/COMMIN RECALLED OUR MUTUAL HOPES THAT TECHMIN WOULD RECEIVE NEW FUNDS TO IMPLEMENT THEIR ARTICLE 4B OBLIGATIONS. ALTHOUGH THIS POSSIBILITY HAD VANISHED, IT WOULD NEVERTHELESS BE NECESSARY FOR THE FRG TO PROVIDE ASSURANCES THAT THE SPECIFIC PROJECTS PROPOSED WERE FINANCED FROM FUNDS NOT PREVIOUSLY PLANNED FOR EXPENDITURE IN THE US.

4. ECON/COM MINISTER NOTED THAT THE USAEC RAW MATERIALS GROUP HAD VETOED GERMAN PROPOSALS FOR URANIUM PROSPECTING ON MAY 30, 1973, DURING A MEETING WITH DR. KNOLLE OF URANGESELLSCHAFT. TECHMIN REPS RESPONDED THAT THIS INFORMAL CONTACT BY A REPRESENTATIVE OF GERMAN INDUSTRY HAD BEEN INSPIRED BY THE MAY 11, 1973 LETTER FROM UNDER SECRETARY CASEY. THE TECHNOLOGY MINISTRY HAD REPEATEDLY TRIED TO OBTAIN A FORMAL USG EVALUATION OF JOINT PROSPECTING VENTURES UNDER THE OFFSET AND THIS CONCEPT HAD BEEN DISCUSSED DURING THE NEGOTIATIONS. THE INFORMAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 00206 01 OF 02 061854Z

REACTION OF THE AEC RAW MATERIALS GROUP HAD NOT RPT NOT BEEN CONFIRMED DURING THESE APPROACHES.

5. TECHMIN REPS EMPHASIZED THAT ALL PROJECTS LISTED IN REF B WERE "NEW" PROJECTS, ENTERED INTO IN 1974 AFTER THE OFFSET PERIOD BEGAN. IT WOULD PROBABLY NOT BE POLITICALLY FEASIBLE FOR THEM TO IDENTIFY THE NATION IN WHICH THESE FUNDS WERE ORIGINALLY SCHEDULED

TO BE SPENT. THEY COULD ASSURE THE USG, HOWEVER,
THAT ALL PROJECTS LISTED WERE NEW AND THAT THE FRG
HAD DELIBERATELY ATTEMPTED TO MAXIMIZE EXPENDITURES

CONFIDENTIAL

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PAGE 01 BONN 00206 02 OF 02 061855Z

47

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 7108

C O N F I D E N T I A L SECTION 02 OF 02 BONN 00206

ON URANIUM PROSPECTING VENTURES IN THE US TO MEET
THEIR OFFSET OBLIGATIONS UNDER ARTICLE 4B. TECHMIN
REPS DID ACKNOWLEDGE THAT GERMAN EXPLORATION FOR
URANIUM HAD BEEN UNDERWAY IN THE US FOR SEVERAL
YEARS. IN THEIR JUDGEMENT, HOWEVER, FOR TECHNICAL
REASONS THE TECHNOLOGY MINISTRY WOULD NEVER HAVE
ALLOCATED SO MUCH OF ITS MONEY TO PROSPECTING IN THE
US HAD THE OFFSET REQUIREMENT NOT BEEN A FACTOR.

6. TECHMIN REPS CONCLUDED THAT FRG WILL PRESS FOR
INCLUSION OF JOINT VENTURES IN URANIUM PROSPECTING
UNDER THE OFFSET. THE FRG WILL OFFER WRITTEN
ASSURANCES THAT THE SPECIFIC EXPENDITURES PROPOSED
ARE IN FACT NEW AND MOTIVATED BY THE OFFSET
REQUIREMENT. THEY PLAN TO PRESENT THESE ASSURANCES
DURING ANOTHER DEMARCHE IN THE NEAR FUTURE.

7. SCHMIDT-KUESTER REPORTED THAT DM 60 MILLION HAVE
ALREADY BEEN TRANSFERRED TO THE US FOR THE GULF/

RUHRKOHLE/STEAG COAL LIQUEFACTION JOINT PROJECT. HE
FORESEES DM 10 MILLION IN AGREED REACTOR SAFETY
PROJECTS. ANOTHER DM 10 MILLION HAS BEEN AGREED IN
PRINCIPLE FOR REACTOR SAFETY EXPERIMENTS (LOFT, PBF
AND PLENUM FILLING). THIS SUM OF DM 80 MILLION,
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PAGE 02 BONN 00206 02 OF 02 061855Z

TOGETHER WITH JOINT VENTURES IN URANIUM PROSPECTING
AND A FEW SMALLER PROJECTS WILL MORE THAN MEET THE
FRG OBLIGATION UNDER ARTICLE 4B.

9. EMBASSY COMMENT: IN VIEW OF THE RELATIVELY SMALL
AMOUNT INVOLVED, THE DESIRABILITY OF NOT REOPENING
THE WHOLE ADDITIONALITY QUESTION, AND THE FIRM FRG
POSITION ON THIS MATTER, WE BELIEVE WE SHOULD ACCEPT
GERMAN ASSURANCES AND CLOSE OUT ARTICLE 4B OF THE
OFFSET AGREEMENT WITHOUT FURTHER DISCUSSION.

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